

# Demand for Marinas

**Lakewood Project Advisory Team**

**February 26, 2014**

# Agenda

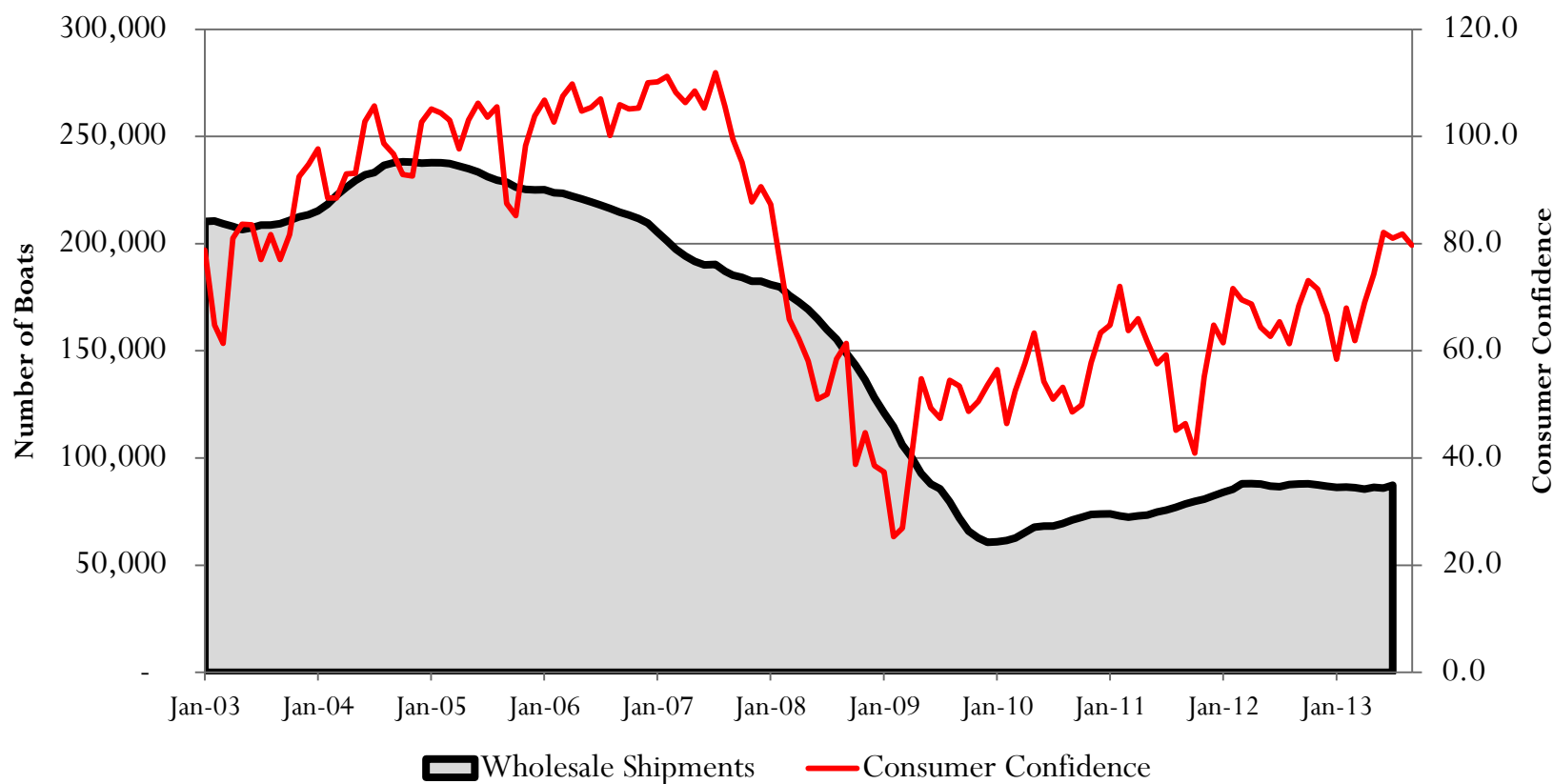
- Boating Markets
  - Boat sales & registration
  - Marine Services Income
  - Survey Results
- Demographics
- Marina Characteristics
- Market Rates

# Boating Markets

---

# U.S. Wholesale Boat Shipments and Consumer Confidence

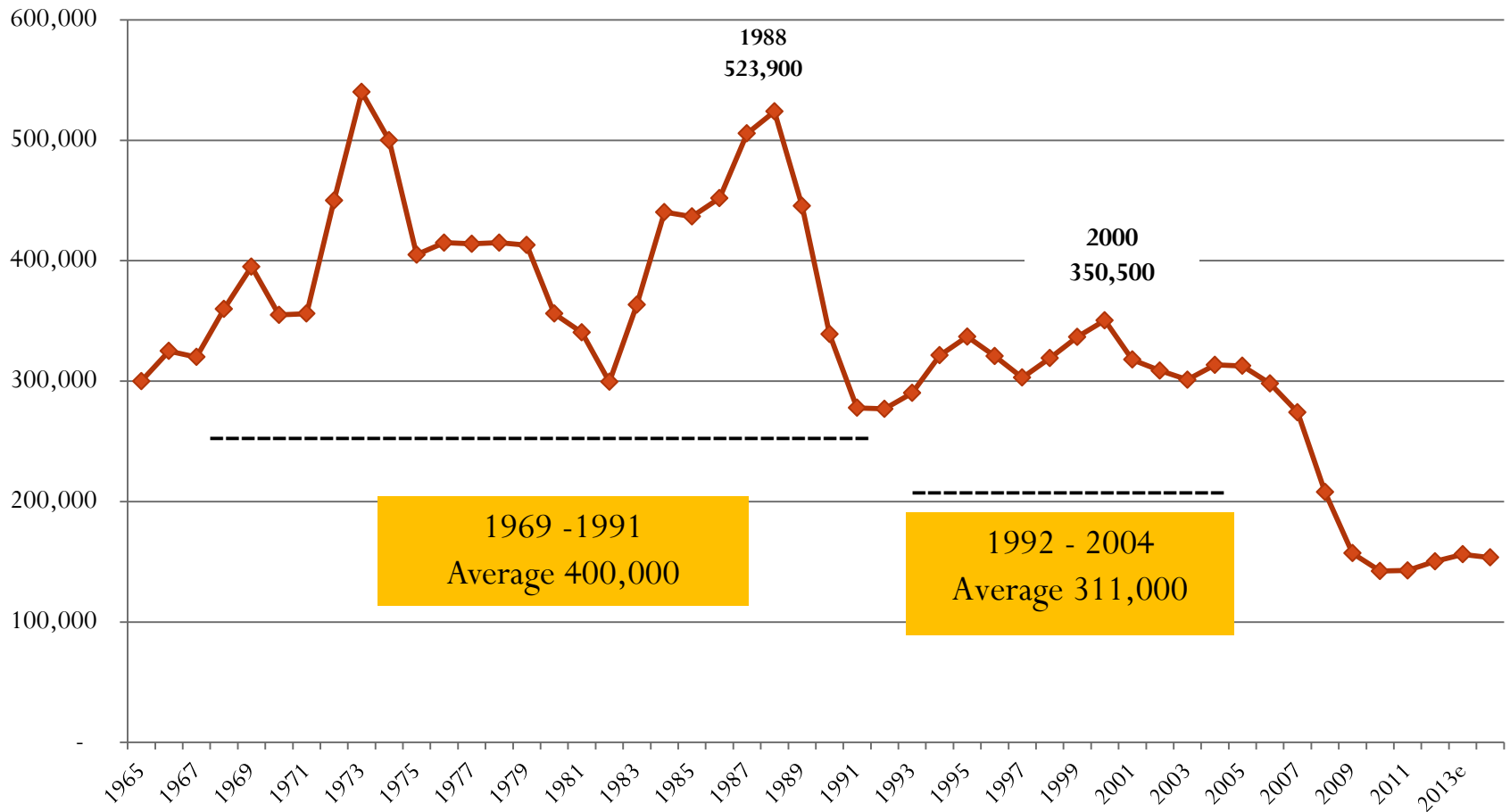
Source: NMMA



There is a strong link between boat sales and consumer confidence. Consumer confidence has generally been growing since the great recession but has experienced big swings due to self-inflicted wounds. Boat sales are increasing with improved confidence but have tapered slightly in national markets.

# Retail Sales of Traditional Powerboats

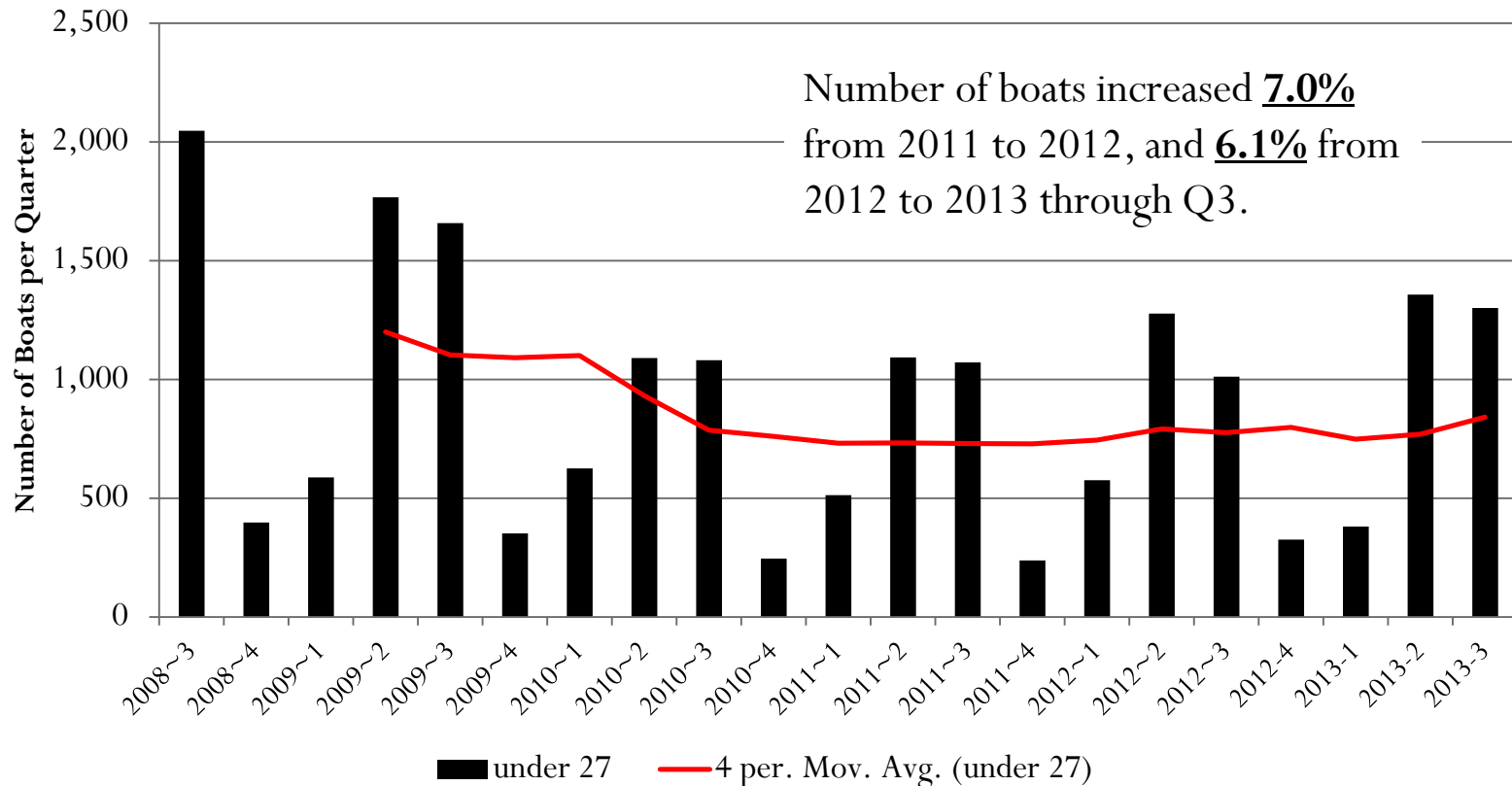
1965 to 2014 (est. by NMMA)



New US recreational boat sales have fallen to a new lower plateau. NMMA forecasts 150,000 to 160,000 boats in the next few years.

# Washington Sales of New Boats (under 27 ft)

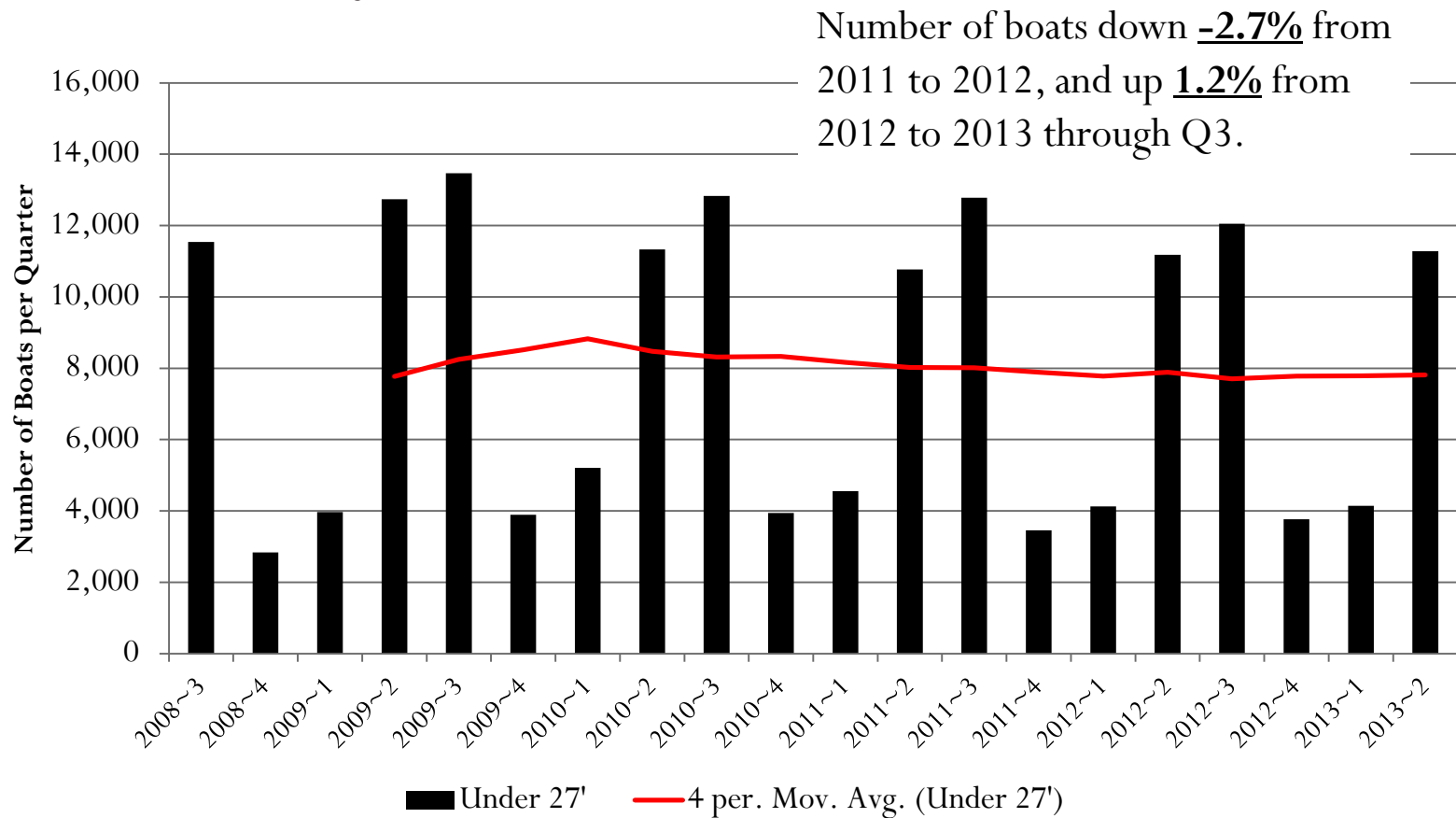
Source: NMTA Quarterly data



New boat sales in Washington State have also fallen to new levels. Averaging about 3,100 boats per year in this size range (under 27 feet) in last three years.

# Washington Sales of Used Boats (under 27 ft)

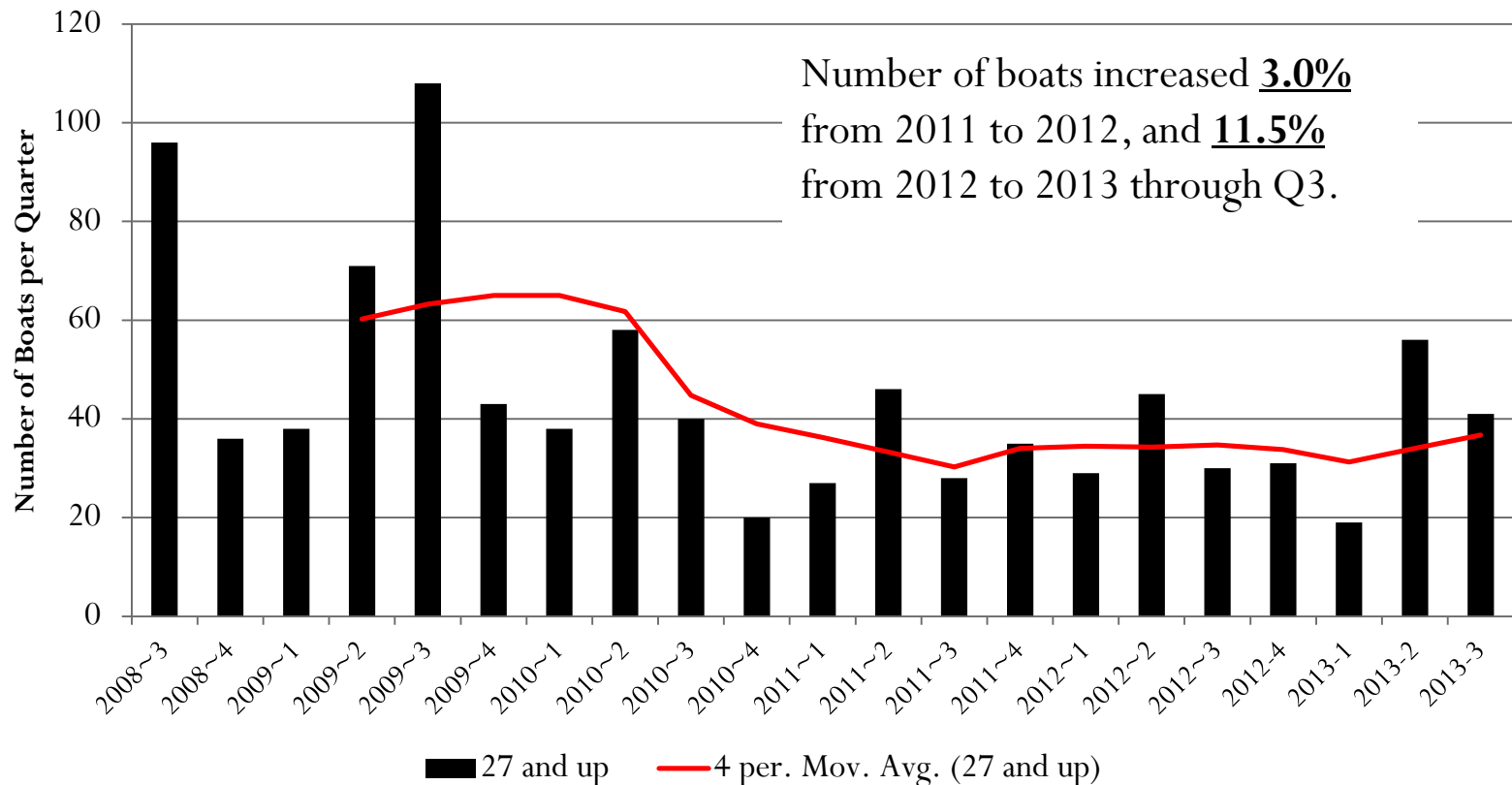
Source: NMTA Quarterly data



Average of ~32,000 boats per year in past three years.

# Washington Sales of New Boats (27 ft & up)

Source: NMTA Quarterly data

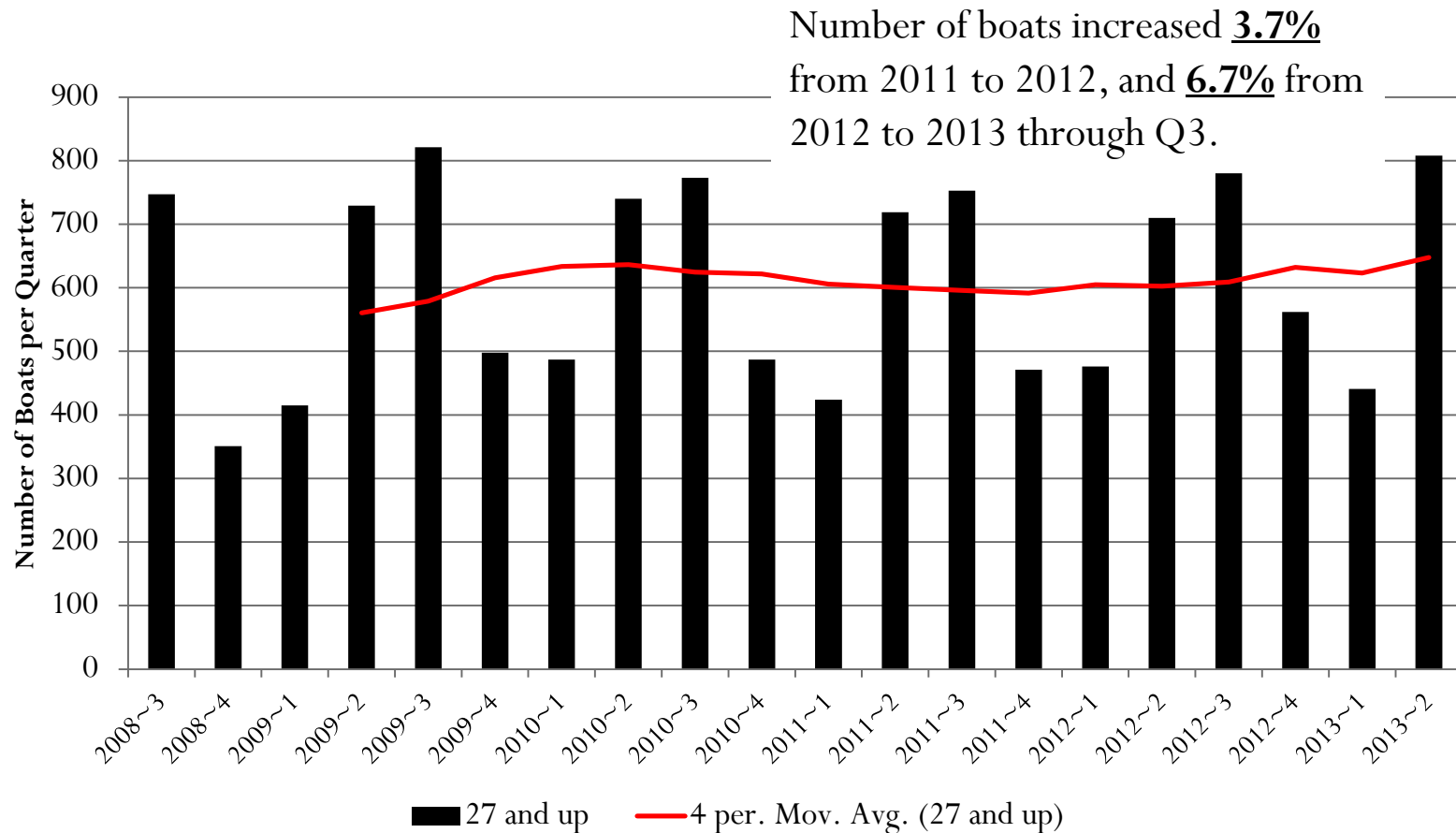


Average sales of ~141 boats in this size range per year in last three years.



# Washington Sales of Used Boats (27 ft & up)

Source: NMTA Quarterly data

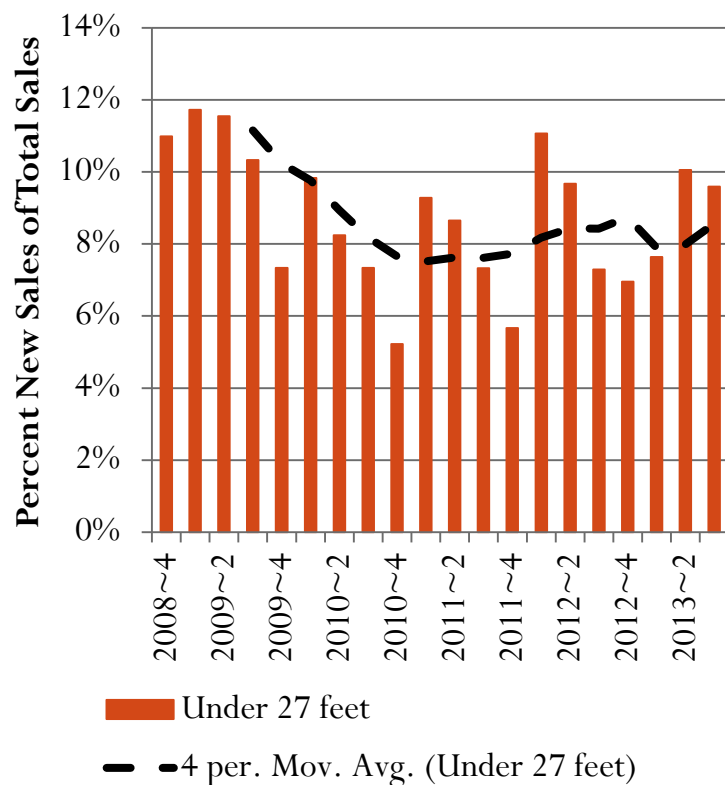


Average of ~2,645 boats per year in this category over last three years.

# Washington New Boat % of Total Sales

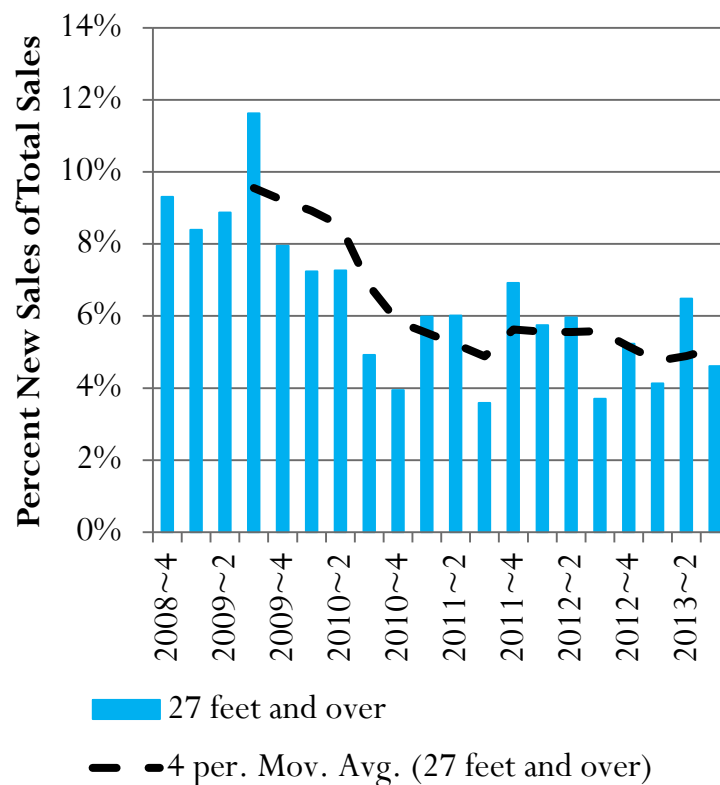
Source: NMTA, Washington State Quarterly Data

## Under 27 feet



New boats sales represent ~8-9% of total sales under 27 feet.

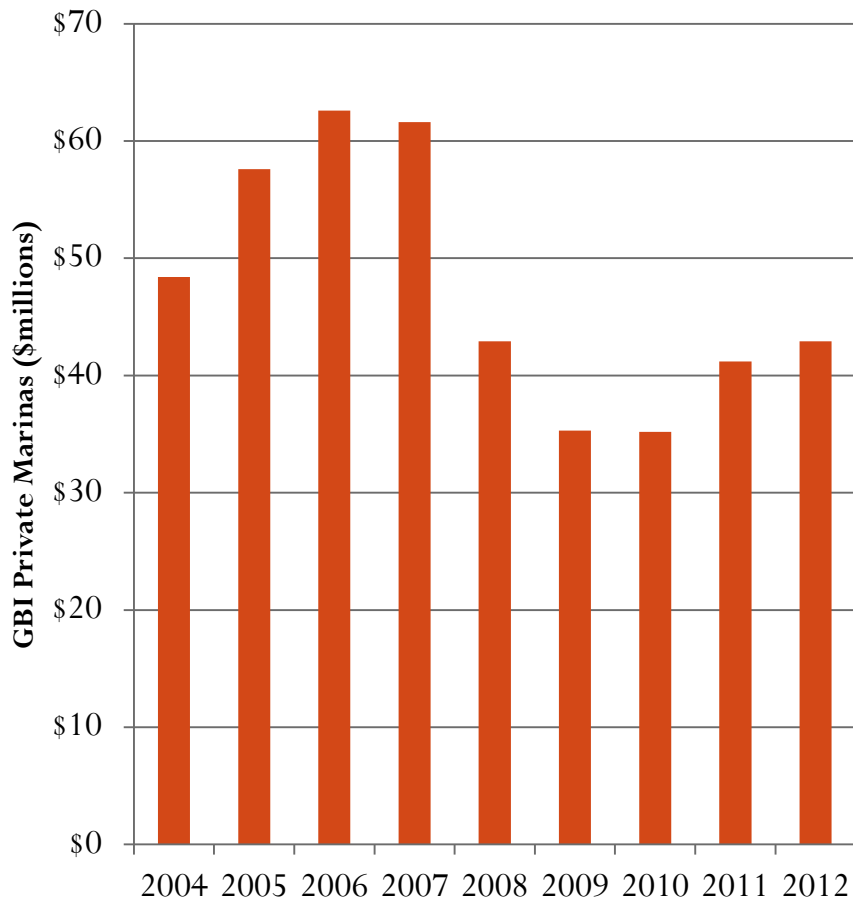
## 27 feet and over



New boats sales represent 5-6% of total sales 27 feet & over.

# Gross Income of Private Marinas

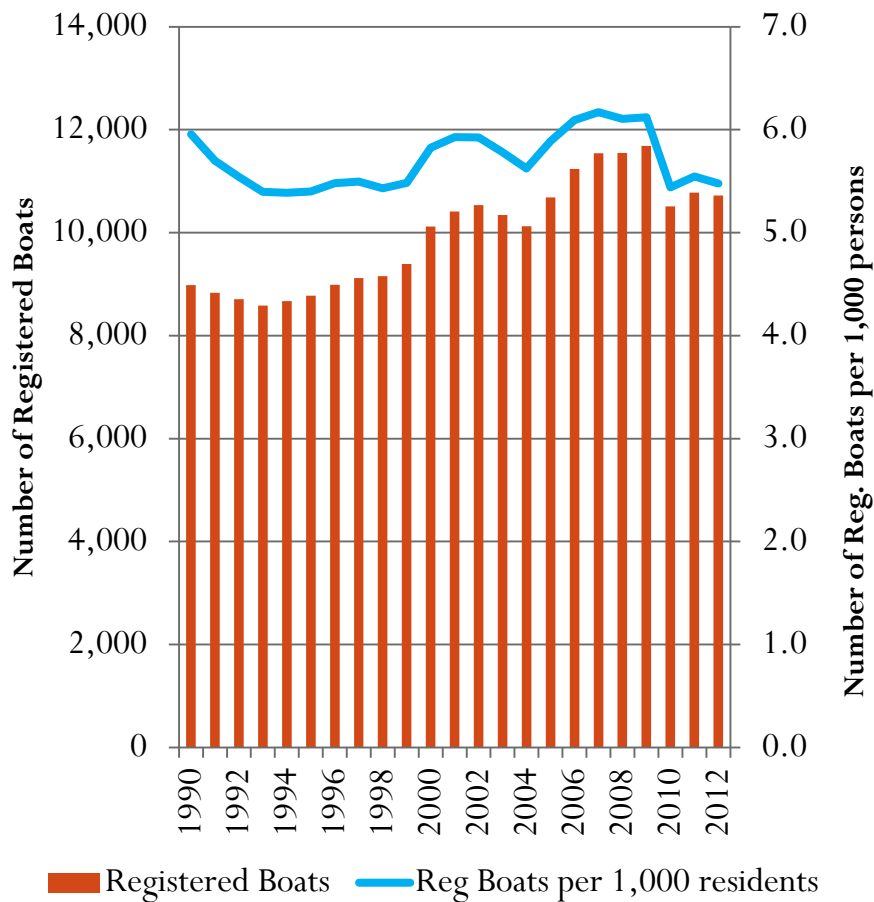
Source: Washington State Dept of Revenue



- Gross Business Income of private marinas in Washington State reached a peak of \$63 million in 2007.
- GBI fell to aprox. \$35 million in 2009 and 2010, the worst of the recession.
- GBI improved slightly to \$43 million in 2012, but this is still down 30% from the peak in 2007.
- These declines also happened in other related sectors (2007 to 2012):
  - Boat yards are down 32%.
  - Boat dealers are down 46%.

# Registered Boats (21-30 ft) in King County

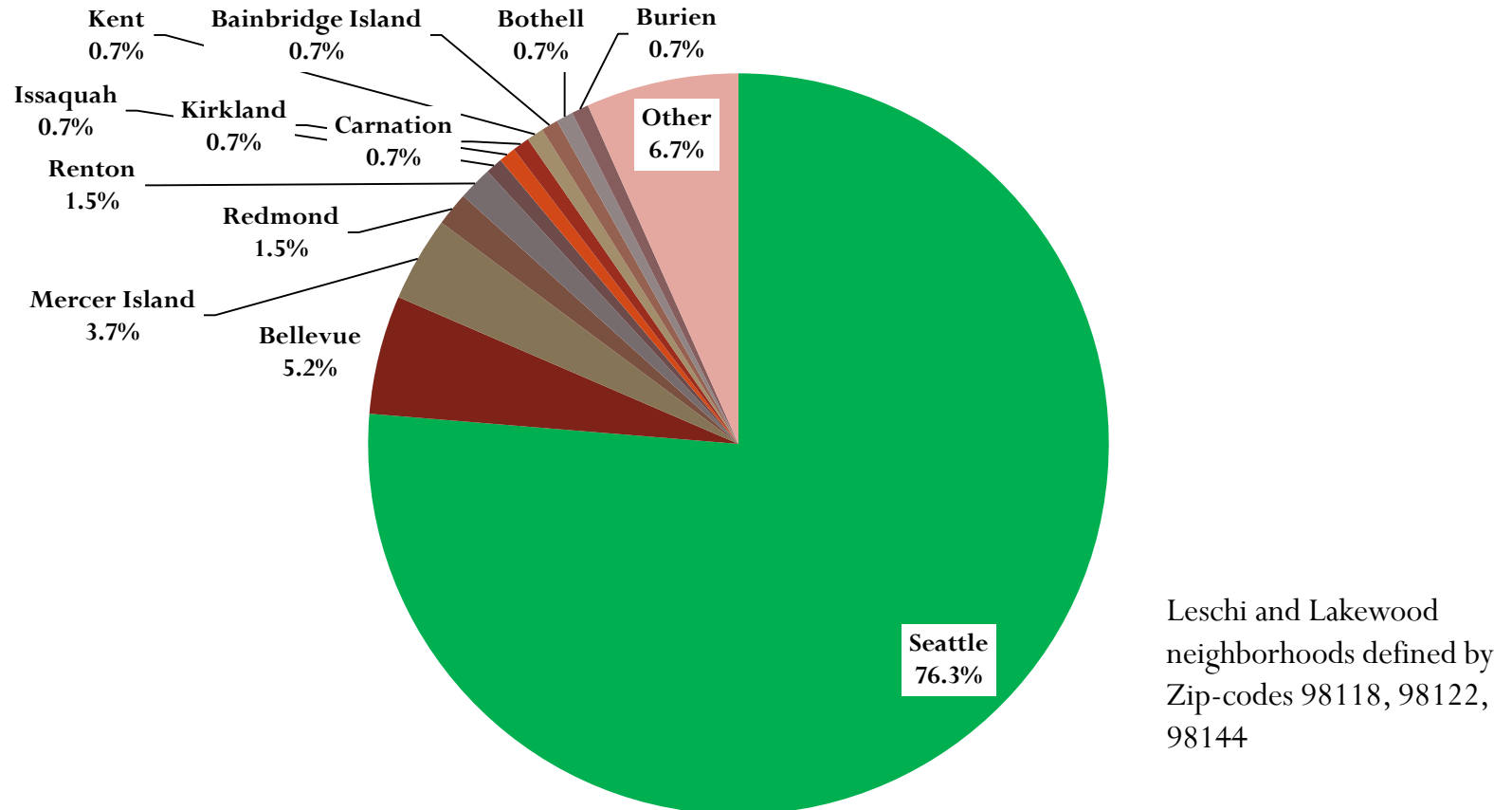
Source: Washington State Dept of Licensing



- Registered boats (21-30 feet long) increased at 1.4% per year from 1990 to 2009, which was faster than the population growth rate.
- As a result, the number of boats per 1,000 persons grew around 5.4 in 1995 to nearly 6.2 in 2007-2009.
- The recession had a strong impact on the number of registered boats, which fell by 964 boats between 2009 and 2012.
- Per capita ownership fell to historical lows.

# Lakewood Tenants (as of Jan 2014)

Source: City of Seattle



Around 76% of the current tenants at Lakewood Marina live in Seattle, the rest primarily live in eastside communities. Of Seattle residents, around 76 live in neighborhoods near the marina (56% of total), the rest are spread throughout Seattle (20%).

# Trends in New Boats Sales & Registrations

- The number of new boats sold in Washington State that require wet moorage increased by approximately 400 to 500 boats per year from 2002 to 2007-8.
- Then the market began to feel the effects of the recession, the number of new boats has declined markedly – to 140 boats per year.
  - Not all of these boats remain in Washington State.
- Likewise the number of registered boats has fallen significantly.
- The end result for marina operators is that there are approximately the same number of wet moorage slips for a static or declining market.

# Impact on Marinas

- Effect is increased competition resulting in:
  - Lower rates
    - no increases for past several years (as in Seattle, Everett) or
    - Decreased rates to maintain/increase number of tenants (La Conner, Oak Harbor)
  - Deferred maintenance
    - Less spent on major repairs
  - Difficulty financing rebuilds
    - Cross subsidies from other lines of business
    - Government support for public marinas
- The region has a number of marinas that were built 30 to 50 years ago that all need major replacement.
  - Will they be able to finance these improvements?

# Demographics

---



# Characteristics of Boaters

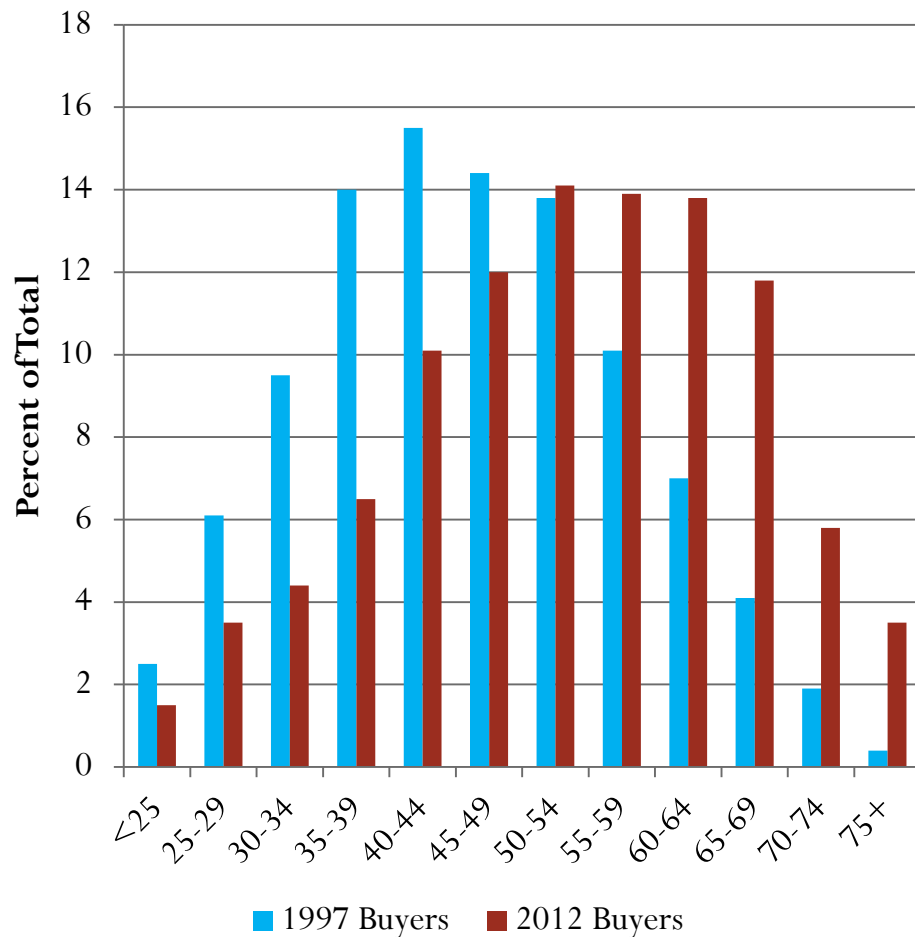
Source: Washington State Recreational Conservation Office

- Boating is one of the top three water-related activities in which residents participate.
  - 35.6% of Washington residents boat.
  - 24.8% of Washington residents motorboat.
  - 29.0% of Washington residents boat in freshwater.
  - 13.5% of Washington residents boat in saltwater.
  - Participation is highest in the Islands region.
- 70% of boaters motorboat.
  - 84% of boaters boat on freshwater, while 39% boat on saltwater.
  - 78% of boaters own a boat less than 26 feet in length.
  - The top demographic groups more likely to participate include those who make \$50K or more per year, males, homeowners, etc.

Results from SCORP survey (2014 Statewide Comprehensive Outdoor Recreational Plan)

# New Boat Buyer Age Distribution

Source: InfoLink, Trade Today



- Since 1997, the age of the average new-boat buyer has increased from 45 to 53.
- There are now twice as many new-boat buyers over 65 as under 40
- During the past 15 years, the percentage of new-boat buyers under 40 has shrunk by half — from a third to 16 percent.
- Used-boat buyers also are aging, albeit not as quickly.

# Generational Shifts

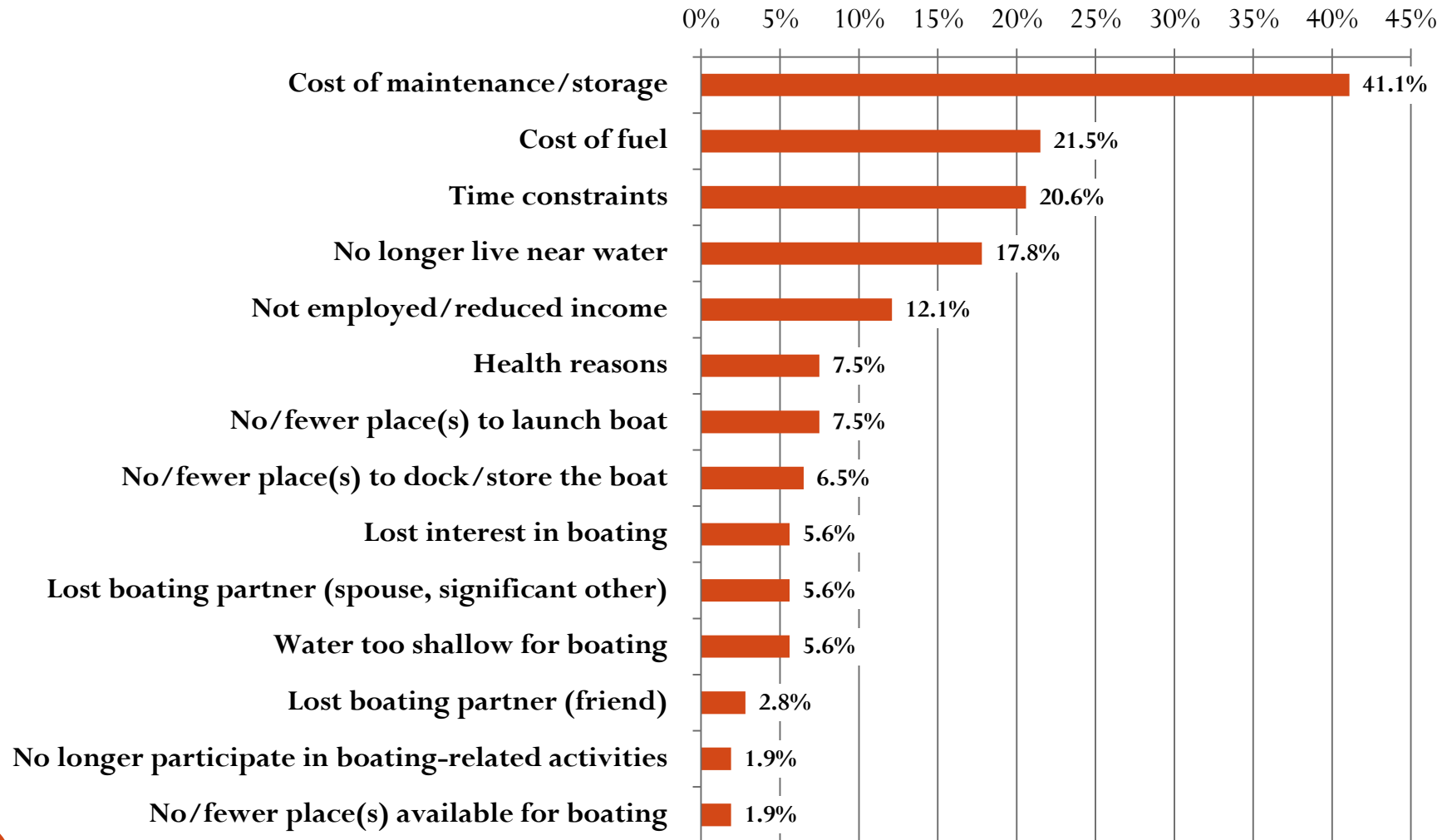
Source: Urban Land Institute, Trade Today

Generation	Born	Age	Population	% of US Population
Eisenhower's	Before 1946	67+	41M	13%
Baby Boomers	1946-1964	49-67	80M	26%
Gen X	1965-1980	33-48	62M	20%
Gen Y (Millennials)	1981-1999	14-32	85M	27%
Gen Z (?)	2000 and After	0-13	42M	14%

- Still a relatively large share of Boomers in the boat buying age group.
- Gen X represents 20% of the population.
- The Gen Y (Millennial) group represents 27% of the US population.
- Knowing what GenXers and GenYers want is critical for the long-run health of the industry.

# Why do you no longer own a boat?

Source: 2013 Special Report on Fishing and Boating



# Demographic Trends

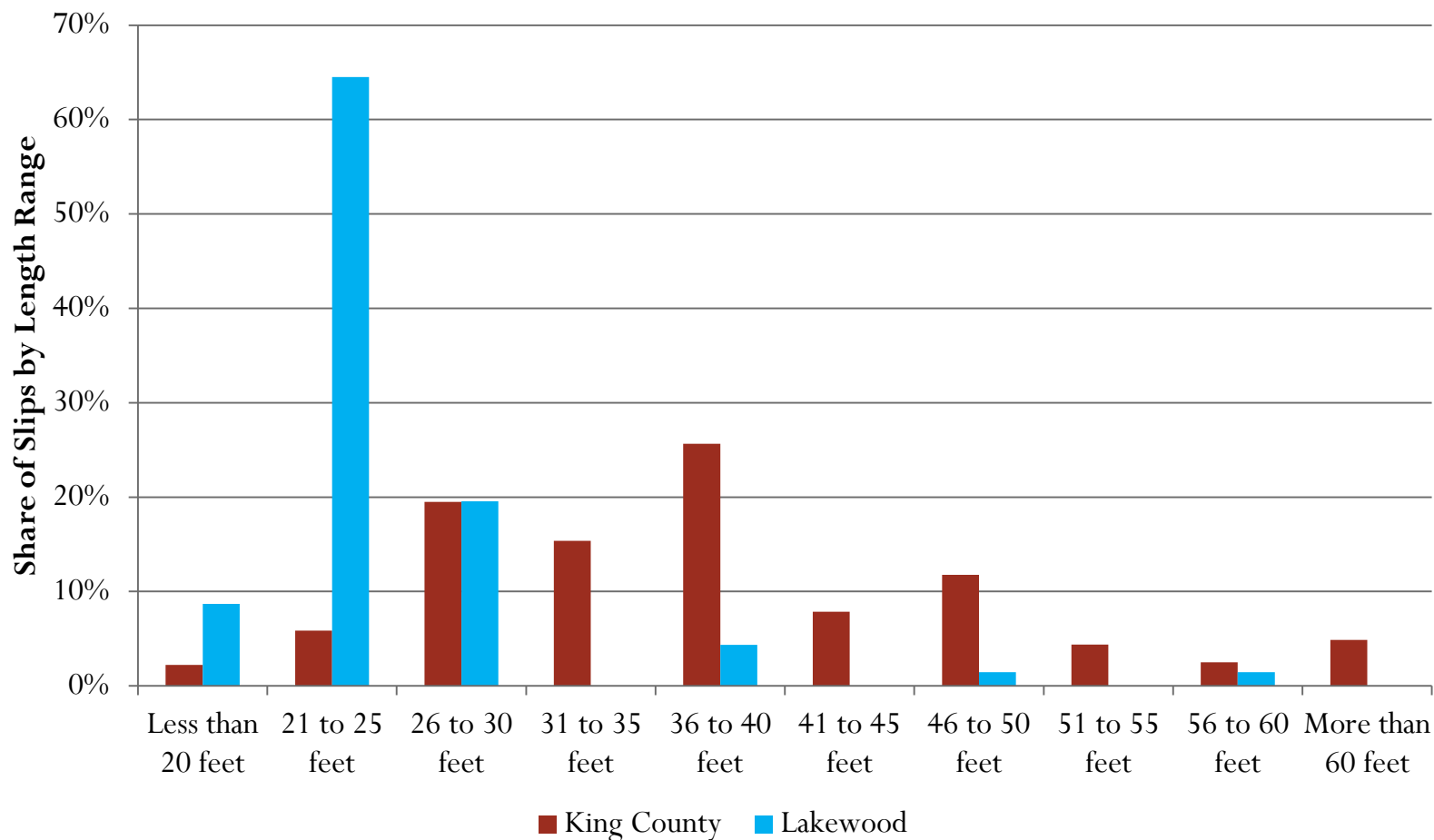
- There are significant demographic changes that are impacting boating.
- The biggest questions are the:
  - The ability of aging boomers to remain in boating.
  - The interest and capability of Millennials to participate in boating.
  - How best to match the types of facilities that they will need.
- This uncertainty makes reconstruction of marinas a difficult decision.
  - Particularly related to slip size, rates and financing decisions.

# Marina Characteristics

---

# Slip Inventory Distribution in King County

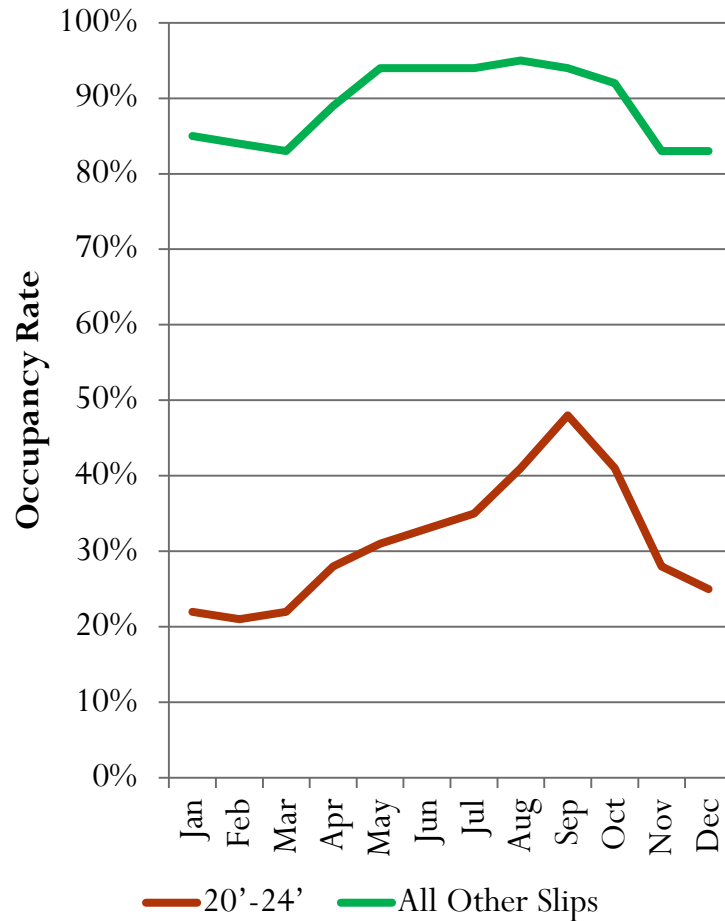
Source: BST Associates, individual marinas



The distribution of slips in Lakewood is much more heavily weighted to small slips. Around 92% of the slips in Lakewood are less than 30 feet as compared with about 28% in King County.

# Example of Slip Occupancy

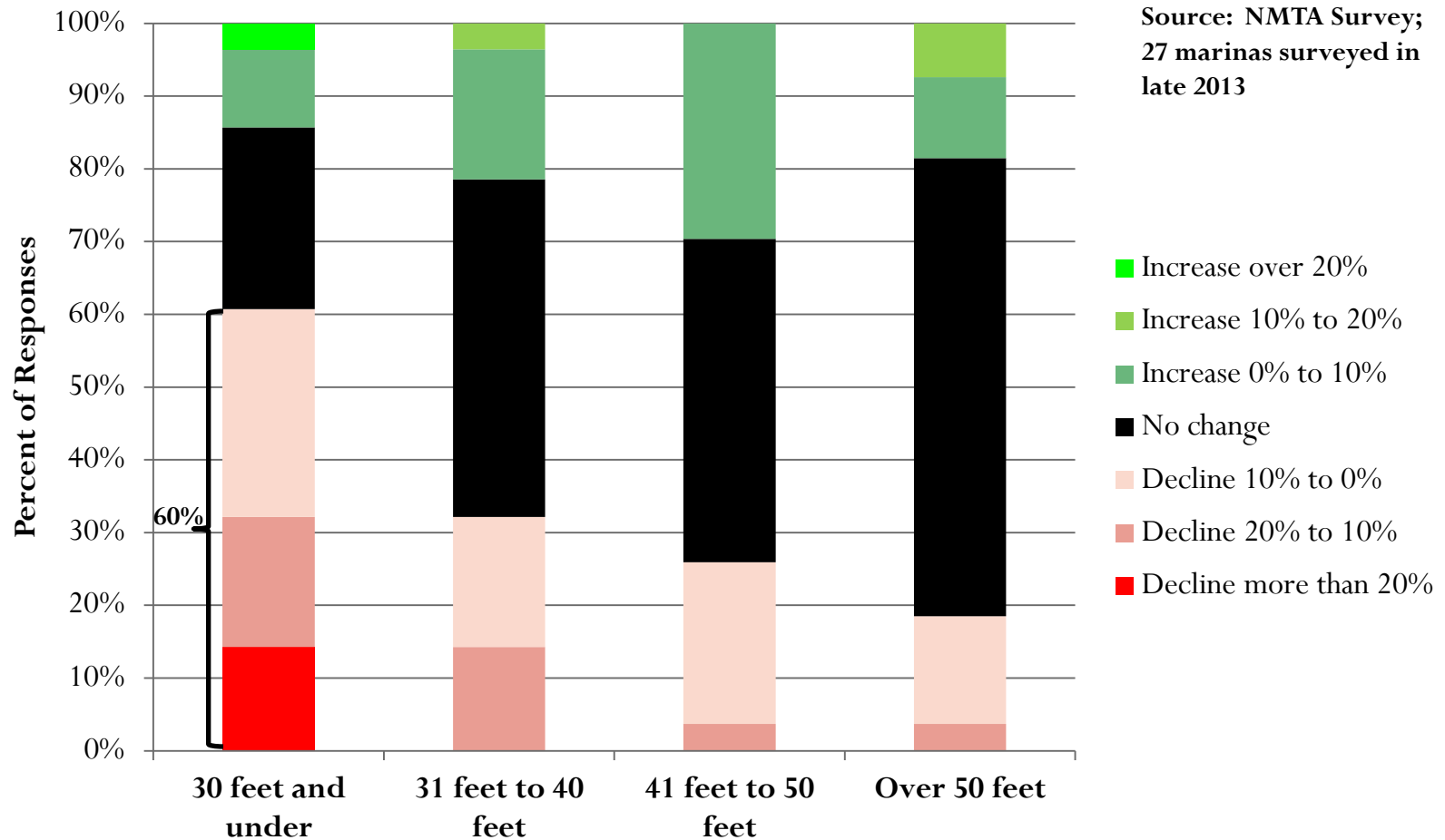
## Major Public Marina



- A major public marina in Puget Sound provides a useful example of the monthly occupancy patterns of smaller slips:
  - 20-24 foot slips average 31% occupancy, only reach 50% in peak month, fall to 20% in off-peak months
  - Other slips (28 feet & up) average 89% occupancy with much less monthly variation.



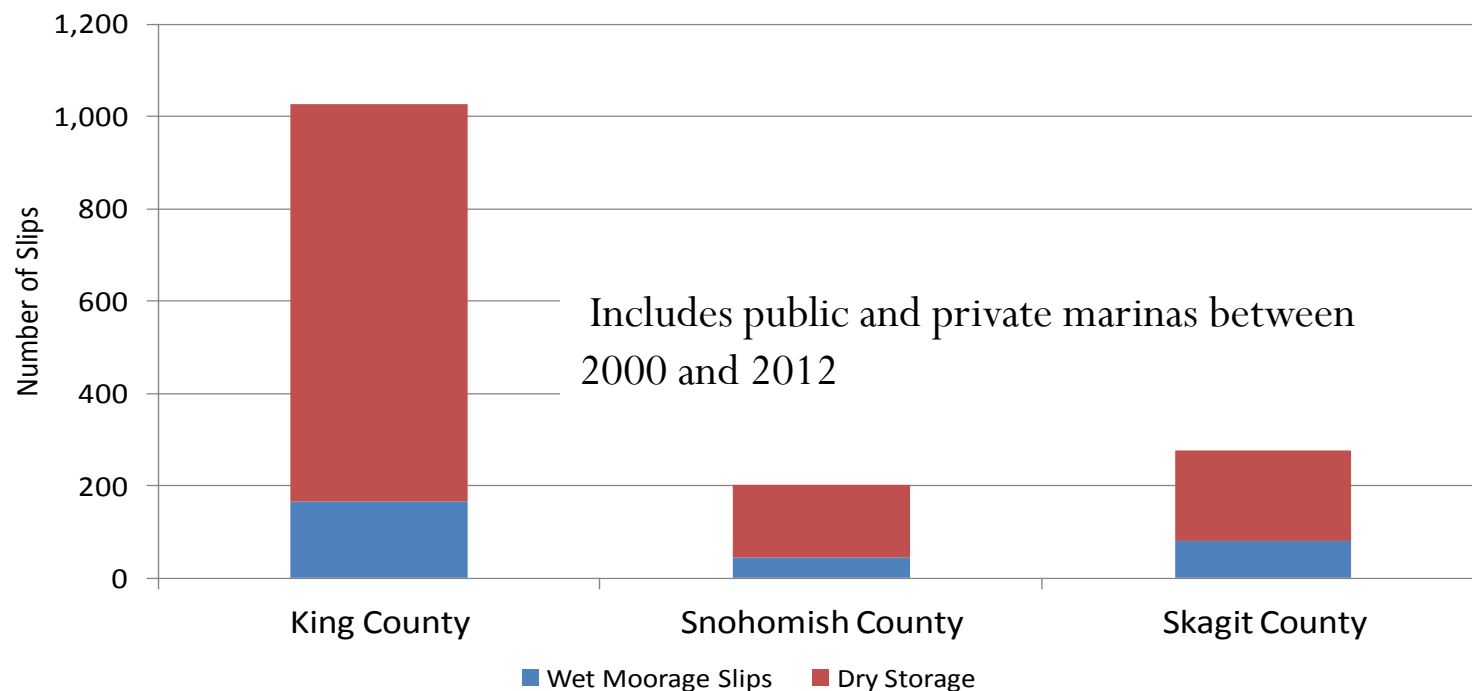
# Over the last three years, what has happened with occupancy in each of the following size ranges?



60% of marinas reported decreased occupancy in slips under 30 feet long over the last three , compared with 31% for 31-40 ft; 25% for 41-50 ft; and 19% for slips over 50 ft.

# Change in Moorage Inventory 2000 to 2012

Source: Individual marinas & BST Associates



Increased dry moorage has dominated moorage supply increases in the past twelve years. In King, Snohomish and Skagit Counties, there were approx 1,200 additional dry moorage spaces added between 2000 and 2012 compared to only around 300 new wet moorage slips.

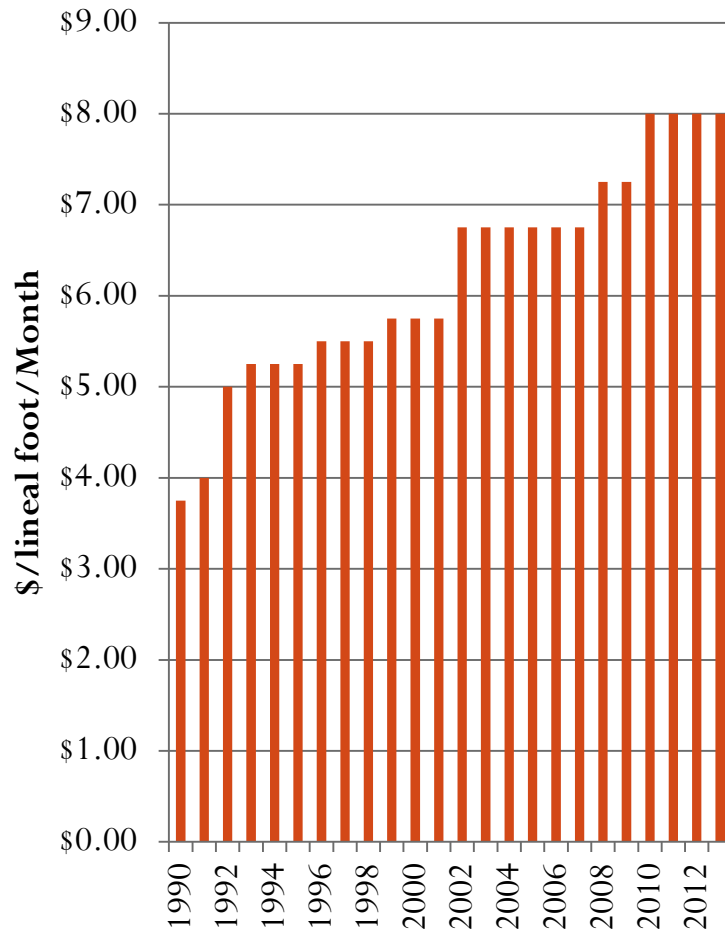
# Trends in Slip Occupancy & Type

- The findings on slip occupancy are that smaller slips have more volatility.
  - Weak off-season occupancy makes these slips harder to finance.
- Wait lists
  - 1-2 years for the 24 foot slips
  - 2-3 years for the 30 foot slips
  - 3-5 years for the 40 foot slips
- There is a major trend to serve smaller boats with dry storage.
  - Works well for power boats.
  - Lakewood ~75% power boats/25% sail boats

# Rates & Revenues

---

# Lakewood Rate Trends



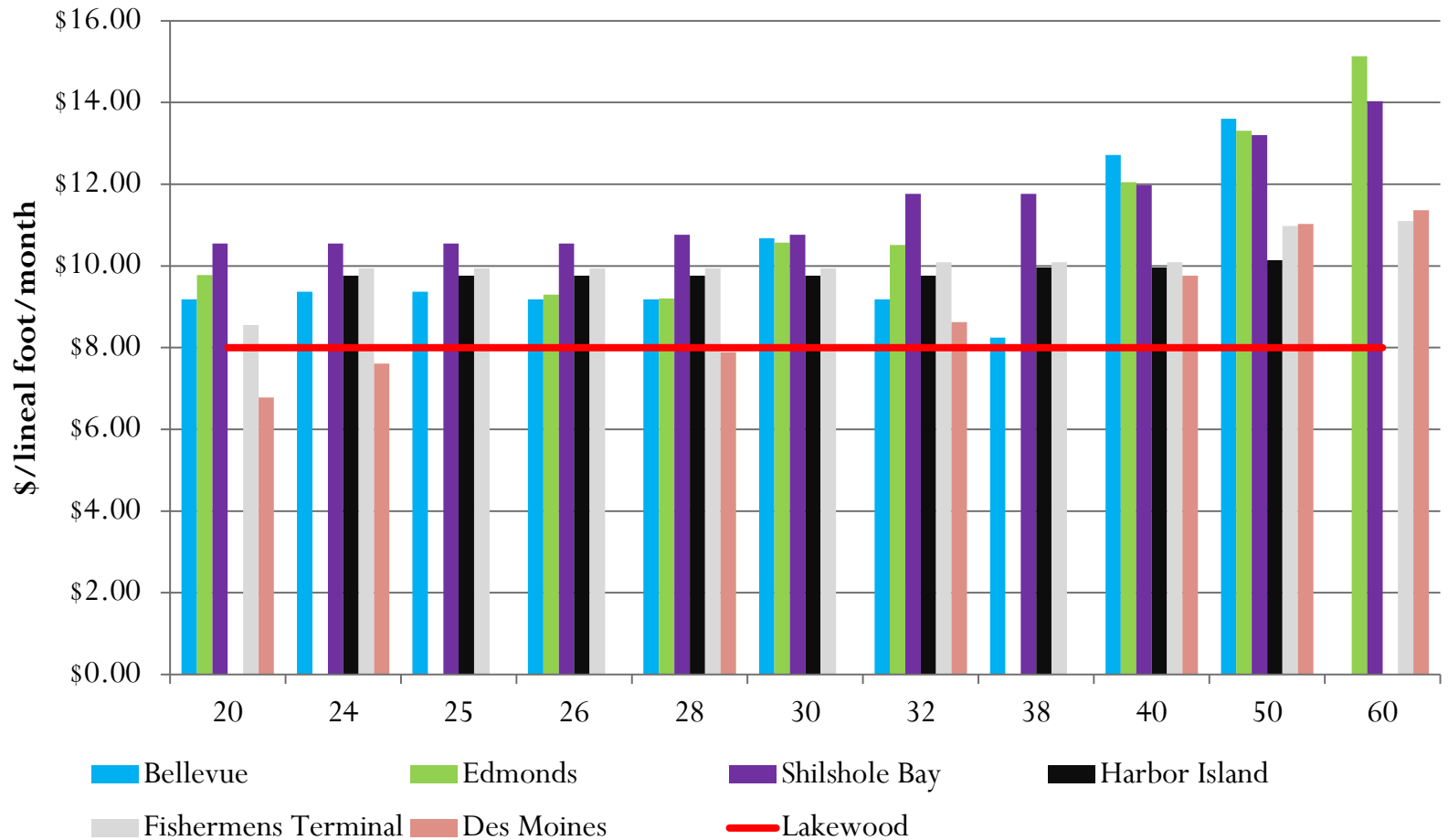
- Rates increased:
  - \$0.25 in 1996
  - \$0.25 in 1999
  - \$1.00 in 2002
  - \$1.00 in 2008
  - \$0.75 in 2010
  - Nothing since
- Overall rates increased 3.3% per year since 1990.
- Rates were likely underpriced in 1990.

# Rate Setting Methodologies

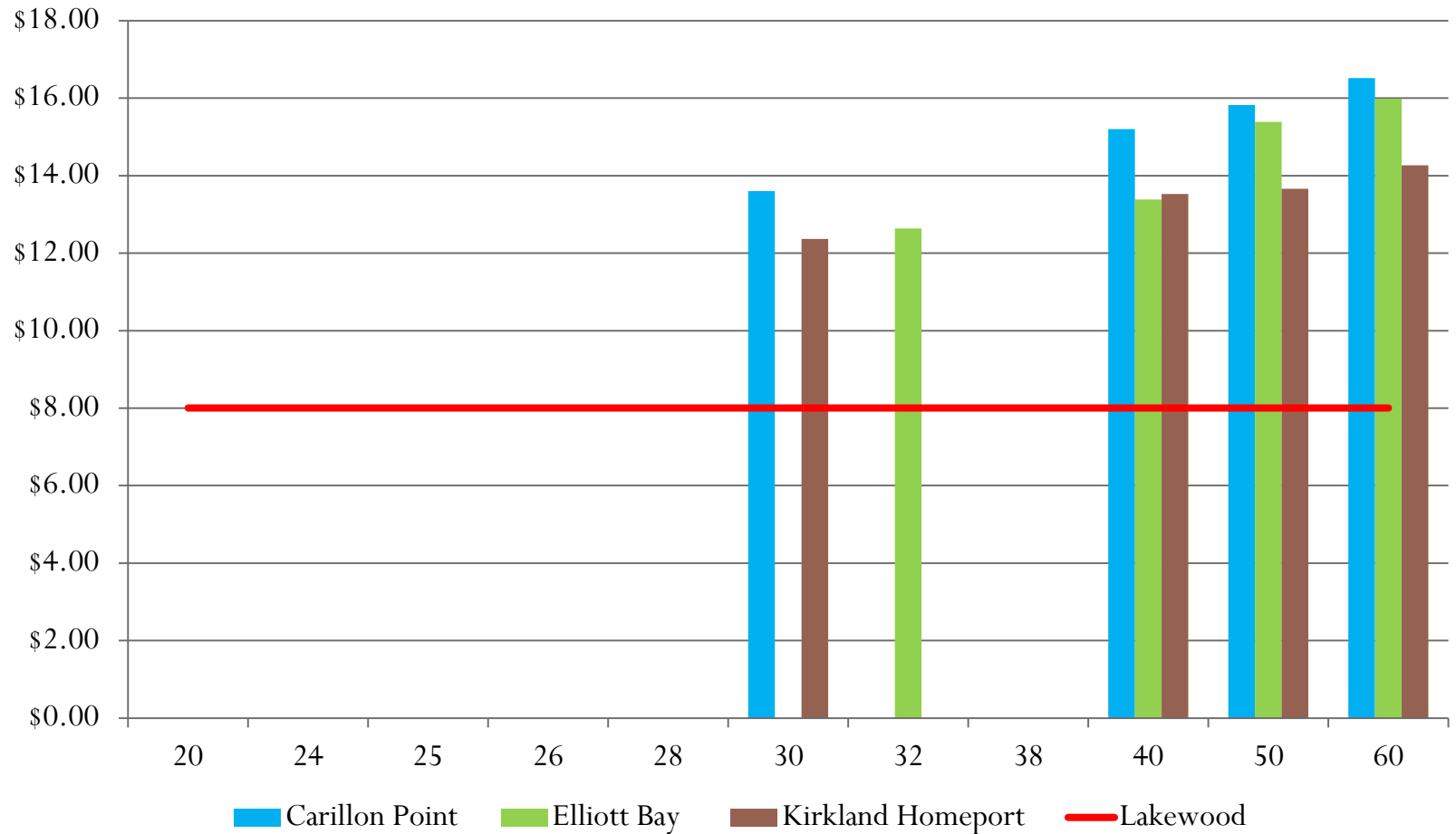
- Market
  - 95% occupancy
  - Set at rates of competitive marinas
- Cost recovery or cost replacement
  - Covers O&M as well as capital replacement
  - Charges more per lineal foot as boat length increases
- Annual CPI or other process
  - Caveat – marina expenses usually grow faster than CPI
  - Charges based on lineal or square foot basis

# Rate Comparison

## Public Marinas (open slips)



# Rate Comparison Private Marinas





# Market Rates

- City of Seattle marinas are priced at rates significantly below market, as evidenced by rates at competitive public and private marinas.
- In addition, rates should be set progressively as boat length increases to account for the increased water area.
  - Typical sq ft for moorages:
    - 26 foot slip may have 11 foot width = 286 sq ft
    - 36 foot slip may have 14 foot width = 504 sq ft
    - Length is 38% greater but sq ft of moorage space is 76% greater
- Moorage rates at City of Seattle marinas have not exhibited steady increases.
- Lower rates compound the chances of deferred maintenance.

# *Questions?*

**Paul Sorensen**

**BST Associates**

**PO Box 82388**

**Kenmore, WA 98028**

**bstassoc@seanet.com**

**(425) 486-7722**